

**MINUTES
BOARD OF TRUSTEES OF THE
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 500
Indianapolis, Indiana 46204
April 27, 2007**

REGULAR SESSION

Board Members Present

Ken Cochran, Chair
Chuck Schalliol, Vice Chair
Matt Murphy
Bob Welch
Tony Armstrong

Board Members Absent

Regina Overton
Kathy Ettensohn

Others Present

Kristen Finney-Cooke, Mercer Investment Consulting
Doug Kryscio, Mercer Investment Consulting
Curt Smith, Strategic Investment Solutions
Jan Hartford, CEM

PERF Staff Present

David Adams, Executive Director
Terry Magid, Chief Operating Officer & Deputy Director
Andrea Unzicker, General Counsel
Shawn Wischmeier, Chief Investment Officer
Jeff Hutson, Director of Communications
Michael Henning, Director of Human Resources
Patricia Bush, Director of Finance
Erin Hankins, Executive Assistant
Jeri Mains, Legal Assistant

Meeting called to order at 12:10 by Chairman Cochran.

I. Approval of Minutes

MOTION duly made and carried to approve the minutes from the February 9, 2007 board meeting.

Proposed by: Chuck Schalliol
Seconded by: Matt Murphy
Votes: 5 in favor, 0 opposed, 0 abstentions

II. Old Business

• Audit Update

Terry Magid reported that the State Board of Accounts (SBOA) audit will be on the same schedule as last year. SBOA will be doing some preliminary work focusing on steps taken to address six findings from the fiscal year 2006 audit before the kick off of the next audit cycle. Kick off the audit will be the first or second week of June. The plan is to have the SBOA complete their work at the end of September and have their report to PERF by the 3rd week of October.

• Legislative Update

Andrea Unzicker discussed the bills that are proposed during the 2007 legislative session as well as the potential impact on PERF. There are eight bills that will have an impact on PERF that were discussed.

III. New Business

• Personnel

Ms. Unzicker read Resolution 07-03 which nominates and appoints Terren B. Magid the Executive Director as of June 1, 2007.

MOTION duly made and carried to approve Resolution 07-03.

Proposed by: Chuck Schalliol
Seconded by: Matt Murphy
Votes: 5 in favor, 0 opposed, 0 abstentions

• Investments

Investments Update

Shawn Wischmeier provided the board with an investments update.

Private Equity Recommendations

Mr. Wischmeier introduced Curt Smith and discussed two private equity opportunities. The first investment proposal discussed was Court Square Capital partners II, LP.

Court Square is raising a \$2.5 billion fund that focuses on making control investments in middle market companies. Court Square focuses on companies that have strong growth potential in unrecognized areas of the market. Court Squares' main sectors of focus include: business services, healthcare, media/publishing, general industrial, and technology/telecom.

The previous fund has returned 4.5x on realized companies and a 87.6 gross IRR; Fund II will continue the same investment strategy as Fund I.

It is recommended that the board approve up to a \$50 million commitment to Court Square Capital partners II, LP pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve up to a \$50 million commitment to Court Square Capital partners II, LP pending final due diligence and document review by legal counsel.

<i>Proposed by:</i>	<i>Bob Welch</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

The second investment proposal is to New Mountain Partners III, LP. New Mountain is raising a \$3 billion fund that focuses on making control investments in middle market companies. New Mountain Partners III, LP focuses on companies with growth opportunities in non cyclical businesses. New Mountain acquires companies where they can work with the management, or bring in new management, to build the value of these companies.

The previous funds have generated upper quartile returns against Venture Economics; Fund III will continue the same investment strategy as Fund II.

It is recommended that the board approve up to a \$50 million commitment to New Mountain Partners III, LP pending final due diligence and document review by legal counsel.

MOTION duly made and carried to approve a commitment of up to a \$50 million commitment to New Mountain Partners III, LP pending final due diligence and document review by legal counsel.

<i>Proposed by:</i>	<i>Chuck Schalliol</i>
<i>Seconded by:</i>	<i>Matt Murphy</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed, 0 abstentions</i>

- **Financial & Budget**

Financial Update

Patricia Bush reviewed the financials with the Board. PERF's net assets are \$16.4 billion which in a 3-month period is up 2.1% and in a 12-month period is up 10.5%. Ms. Bush highlighted that the Legislators' DC Plan due to and due from account has been resolved.

- **CEM Presentation**

Jan Hartford, from CEM, presented the Board with the Pension Administration Benchmarking Results for Fiscal Year 2006. The report is a management tool to help understand how PERF compares to other retirement systems. Fifty-six pension administrators participated in this analysis. Indiana PERF was compared to other U.S. public sector pension systems. The analysis is based on the Total Adjusted Administration Cost of \$15.9 million.

PERF has made significant service improvements since FY 2004 in pension inceptions, written pension estimates, member counseling, mass communication to members and service credit purchases. The total transaction type cost was 16% below the peer median. The total volume of active members and annuitants was higher than a peer median. Relative plan complexity was higher than the peer median. Ms. Hartford commented that a significant observation is that the improvements were made while maintaining costs.

- **Human Resource Policy**

Mike Henning discussed with the Board changing an existing policy that allows employees to accumulate up to 240 hours comp time. The new policy would reduce comp time to a cap of 60 hours. Resolution 07-04 was read to the Board by Ms. Unzicker.

MOTION duly made and carried to approve Resolution 07-04.

Proposed by:

Chuck Schalliol

Seconded by:

Bob Welch

Votes:

5 in favor, 0 opposed, 0 abstentions

- **Adoption of Executive Director Job Profile**

Mr. Henning discussed the Adoption of an Executive Director Job Profile with the Board, Resolution 07-05. Matt Murphy proposed a change from requiring ten years experience to requiring at least five (but preferably ten) years experience.

MOTION duly made and carried to approve Resolution 07-05 with the change.

Proposed by:
Seconded by:
Votes:

Matt Murphy
Bob Welch
5 in favor, 0 opposed, 0 abstentions

IV. Executive Director Report

David Adams reviewed PERF's quarterly scorecard measures and acknowledged PERF employees who received the Governor's Public Service Achievement Award.

Mr. Adams reviewed the scorecard and explained that 100% of members that turned in their retirement application at least 60 days in advance experienced no payment interruption.

Mr. Adams also discussed the new handbook for the Excise, Gaming & Conservation Officers Fund, the intern program which has 17 new interns coming in this year, new tools for employers, and the new PERF logo.

Mr. Adams updated the board on the Indiana Investment Fund I and the sidecar opportunity, Indiana Investments Fund I-A.

M. Adams provided the board with a sample "Annual Member Statement" that is being rolled out for the first time in PERF's history. This report provides information to members on their defined benefit.

Mr. Adams also highlighted the Governor's midterm performance report highlighting PERF's accomplishments.

Finally, Mr. Adams thanked the board members for their support and dedication to the fund and for giving him the opportunity to report to and serve the board.

V. Date of Next Meeting

June 21, 2007 at 9 a.m.

VI. Adjournment

Adjourned at 1:57 p.m.